

Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE

Friday May 27, 1977

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Friday, May 27, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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ISRAEL: Uncertainties About Begin

25X1 [] Menachem Begin, leader of Israel's Likud party, probably hopes that his offer of the Foreign Ministry portfolio to former defense minister Moshe Dayan will soften the party's hardline image abroad and help counter concern in Washington and among Jewish interest groups in the US that a Likud-led government will be extremist.

25X1 [] Unlike Begin, Dayan opposes formally annexing the West Bank. Dayan believes Israel must permanently maintain a strong military presence there. Earlier this month, he told US embassy officers that he believes the present arrangements could continue with some modifications. As part of a final peace settlement, he favors a kind of "dual sovereignty" with Jordan that would give Israel responsibility for Jewish residents and Jordan civil administrative rights over the Arab communities.

25X1 [] Dayan has privately indicated that he would retain the Gaza Strip and adjacent parts of the Sinai, but would be willing to give up the rest of the Sinai and the Golan Heights in return for final peace agreements with Egypt and Syria.

25X1 [] Begin probably intends to draw on Dayan's experience in earlier negotiations with the Arabs and his broad knowledge of the US--a background that no Likud figure can match.

25X1 [] Begin also may be counting on Dayan to draw support for Likud from among Labor Party conservatives, and thus strengthen a Likud-led government's position with the Knesset, at least on negotiation issues. By including Dayan, moreover, Begin probably hopes to gain greater bargaining leverage in his coalition negotiations with the Democratic Movement for Change. Begin could argue that the Democratic Movement's participation is not essential and that it must drop some of its demands if it wishes to join a Likud-led coalition.

25X1 [] Labor leaders have already asked Dayan to resign from his seat in the Knesset, and Dayan has indicated he will do so if Begin succeeds in forming a government. Dayan's resignation would not affect Labor's parliamentary strength; Labor would be entitled to fill the vacated seat.

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[] Begin is likely initially to interpret the Likud victory as a mandate to press the party's hardline position on peace negotiations. It is still uncertain on what foreign policy issues Begin, whose consistency of views has been a hallmark of his political career, might temporize as he attempts to form a coalition. It is also unclear how much of a moderating influence some of his lieutenants and possible coalition partners will be able to exert.

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[] Since the election, Begin has repeatedly emphasized his party's determination to retain permanent control over the occupied West Bank, which he refers to as "liberated territory." Similarly, Begin has adamantly rejected any negotiations with the Palestine Liberation Organization and has even indicated that he does not recognize the Palestinians as a separate Arab community.

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[] Speaking in the first flush of Likud's triumph, Begin may have been seeking mainly to reassure his right-wing constituency rather than to define firm guidelines to govern Israeli's participation in future peace talks. Since then, he has made an effort to paper over differences with the Democratic Movement for Change and to entice it to join a Likud government by offering not to change the present status of the West Bank so long as peace negotiations with the Arabs are in progress.

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[] Other Likud leaders, who share Begin's hardline views, have also tried to play down the importance of his public remarks. They seem to be genuinely concerned about the impact on the US, and especially on Israel's allies in the US Congress and among influential Jewish-American interest groups.

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[] Likud's efforts to put together a new government would become more complicated and protracted should ill-health force Begin to step aside. Begin has ruled the Israeli right-wing as an autocrat for over 30 years, assiduously rooting out all serious challengers to his authority and grooming no one to succeed him.

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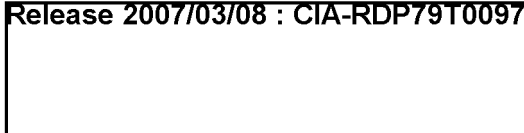
[] Ezer Weizman, Begin's principal lieutenant, would appear to have an edge over the leader of Likud's Liberal wing, Simcha Ehrlich, who reportedly does not covet the party top spot. Outside of Begin's Herut contingent, however, Weizman

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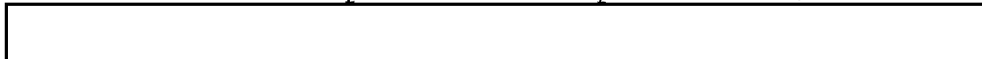
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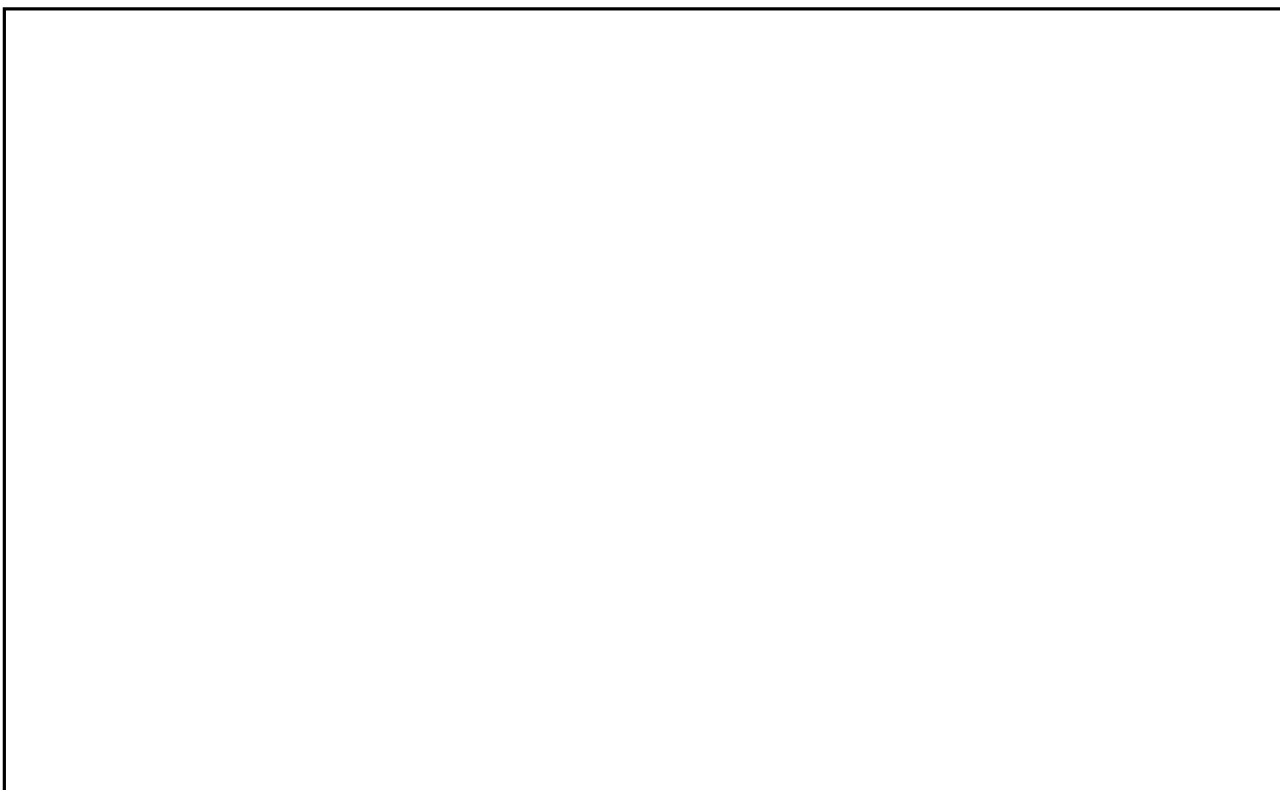


does not appear to command strong support within Likud and is considered by some as too intemperate and unpredictable for the top spot.



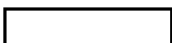
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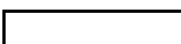


SYRIA: Possible Cabinet Changes

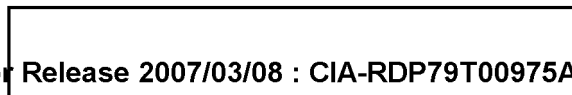
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 Syrian President Asad may be planning changes soon in his cabinet and in the Baath party hierarchy in response to domestic dissatisfaction with widespread corruption and economic difficulties. The moves would be designed primarily to undercut Asad's opponents and strengthen his own position. They would have little effect on Asad's basic policies or the causes of popular discontent.

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 The departure of Prime Minister Khulayfawi has been rumored for some time, and could take place shortly after next

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[redacted]

month's scheduled election of the People's Council. Recent editorials in the Baath party newspaper lend credence to the rumors of an impending shakeup. The editorialist, presumably with official approval, implicitly attacked Khulayfawi by calling for stringent measures to deal with domestic problems--especially the spread of corruption--which he alleged have been ignored because of the government's preoccupation with external affairs.

[redacted] The Prime Minister was appointed by Asad last August with a mandate to clean up corruption and improve government efficiency. He has encountered strong opposition from powerful people in the regime, most notably Asad's notoriously corrupt brother Rifaat. Frustrated and dispirited, Khulayfawi reportedly tendered his resignation last December because of his inability to do much about the problems. Asad's decision to intervene militarily in Lebanon has exacerbated Syria's economic problems; its balance-of-payments deficit and inflation and commodity shortages have become more serious.

[redacted] Former prime minister Ayyubi, speaker of the People's Council Halabi, and air force and security chief Jamil, a close associate of Asad, have been mentioned as possible successors to Khulayfawi. Given the intractable nature of Syria's economic troubles and the likelihood that Rifaat Asad will remain "untouchable," a new prime minister is unlikely to fare any better.

[redacted] A reshuffling of key government and party posts, however, would allow Asad to place the onus of failure on others and to deflect his opponents' criticism. Asad can also replace some officials of questionable loyalty and reward his supporters.

[redacted]

USSR-CHINA: Chinese Propaganda Protest

[redacted] //The publication yesterday of the USSR's first formal protest to the post-Mao leadership in China suggests that Moscow is underscoring that it sees no prospect for any early improvement in Sino-Soviet relations. The protest is in response to China's continuing propaganda attacks on the USSR. The first direct Soviet attack on China's new leaders since the death of Mao Tse-tung last September was contained in a Pravda article 13 days ago.//

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[] In the protest note, which was given to China privately a week ago, the Soviets call China's propaganda "malicious slander, abuse, and a provocation" and twice warn that its continuation will have "dangerous consequences." Although the Soviets do not spell out these consequences, they stress that the USSR has no aggressive intentions toward China and strive instead to portray China's leaders as implacably opposed to peace. The Soviets accuse the Chinese of desiring a new world war and of mapping a course of action aimed at pitting country against country.

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[] //Moscow has formally protested Chinese behavior on a variety of issues over the years, but has not usually publicized the protests. Its decision to go public in this instance probably was prompted by a desire to rebut Chinese propaganda attacks beamed to the USSR, to inform the Soviet people that there are no prospects for change in Sino-Soviet relations, and to impress upon the West how seriously Moscow views China's behavior. The Soviets are aware that the US is reviewing its China policy and probably feels impelled to spell out its position. The Soviets are especially concerned about, and hope to dissuade, the US from deciding to provide or encourage others to provide military aid to China.// []

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USSR: Grain Prospects Good

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[] //The USSR appears likely to have a record winter grain crop this year. We expect this harvest--which normally accounts for about 30 percent of total Soviet grain production--to be well above the previous record of 63.5 million metric tons; it possibly could reach 70 million tons. As a result of the favorable outlook for this year's grain crop and the record harvest in 1976, the Soviets have made no new grain purchases since last December.//

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[] //The record prospects are in large part due to this year's expanded crop area--up roughly one fourth over last year. Composed mostly of wheat and rye, winter grains were sown last fall on 38.5 million hectares--the largest area since 1968, and 1 million hectares greater than last year. Winter losses--normally 15 to 20 percent of the sown area--are not expected to

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exceed 10 percent this year. Unusually wet growing conditions throughout much of the European USSR, however, have led to weed infestation and plant diseases that may limit yields somewhat.//

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[] //It is still too early to predict the spring grain output. Spring grain sowing was delayed in some regions. In addition, inadequate subsoil moisture in both the Southern Urals and parts of Kazakhstan means yields in these areas will be dependent on rainfall from now through July.//

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[] After it has good harvest years, the USSR usually waits until the summer to enter the international market. A Soviet grain delegation, in Washington last Friday for biannual consultations under the long-term grain agreement, would say only that Moscow would meet the minimum requirement under the second year of the agreement of buying 6 million tons of grain. The Soviet officials said it was too early in the crop season to forecast accurately their grain needs for the coming year. They gave no indication that they would order more than the 6.1 million tons of US wheat and corn already bought for delivery under the first year of the agreement that extends from October 1976 to September 1977.

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[] One trade source, who met with the Soviets before their official visit, claimed that the Soviets were currently in the market for up to 2.5 million tons of soybeans and eventually would purchase 4 million tons each of US corn and wheat.

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[] The Soviets bought about 2 million tons of soybeans last year, but a purchase of this size now would be surprising. US supplies are tight, causing high prices, and Soviet oil seed processing capacity would have difficulty handling such a quantity. []

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ECUADOR: Bucaram Candidacy

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[REDACTED] //The possibility that Equadorean populist leader Assad Bucaram may run for president is causing qualms among both military and civilian leaders. Bucaram is extremely popular, and even a coalition attempt by several of Ecuador's political parties probably could not win enough votes to stop him.

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[REDACTED]

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[REDACTED] Bucaram, long a dedicated opponent of military dictatorship in Ecuador, was twice exiled for "subversive activities" in the early 1970s by then president Velasco. When it appeared that Bucaram might win the presidential election scheduled for 1972, the military intervened and canceled it.

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[REDACTED] Bucaram's party has no particular ideology and campaigns on the need for better living conditions for Ecuador's urban poor. His political base is in the more progressive coastal provinces, where he once served as an elected official. Municipal employees and many other workers remember his honest administration, tax and other reforms, and housing and development projects. He also has great appeal among the urban poor, who think he is on their side.

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[redacted] //Earlier this month, two government-appointed commissions, which were drafting constitutions to be submitted to a referendum, refused to include specific presidential qualifications designed to block Bucaram's candidacy. [redacted]

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[redacted] Bucaram is also opposed by a number of Ecuador's established political parties, and they are attempting to form a coalition to prevent his election. Bucaram's popularity, however, will make their task very difficult. [redacted]

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INDIA: Water Plants

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[] India has one operating heavy water plant at Nangal and apparently is slowly overcoming the problems that have delayed completion of four others. India also is likely soon to announce the start of construction of a new 300-ton-per-year plant. These six plants, when operating, will produce more heavy water than India needs for its reactors. India may decide to export the surplus.

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[] Heavy water is used to control the nuclear reaction in reactors fueled with natural uranium. When the six heavy water projects are completed sometime after 1980, India will have a combined heavy water production capacity of around 615 tons per year. This is far in excess of its planned needs, making exports of heavy water by India a real possibility.

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[] The 100-ton-per-year heavy water plant in Rajasthan that has been delayed because of difficulties in obtaining compressors will probably be operating in June 1978. India reportedly has a firm promise from a West German company to deliver the needed compressors this August.

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[] The nuclear supplier nations disagree about whether the company should be allowed to export these compressors without applying safeguards to the compressors, to the intended plant, and to any material it produces. To avoid this problem in the future, a large Indian government-owned firm is preparing to manufacture compressors for the remaining heavy water plants.

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[] A 67-ton-per-year plant at Baroda is likely to begin producing reactor-grade heavy water before the end of this year, once present mechanical problems are overcome. Plants under construction at Tuticorin and Talcher will probably start operating in 1978 and about 1980, respectively. []

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PAKISTAN: Talks to Resume

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[] *Opposition leaders have told Pakistani Prime Minister Bhutto that they are willing to resume negotiations to resolve the political crisis. Talks could begin as early as today. Despite optimistic statements by some Pakistani politicians, however, the two sides are still far apart.*

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[] The decision to resume talks follows a week of consultations among opposition leaders in response to a Saudi initiative. Other Arabs, including members of the Palestine Liberation Organization, have also participated in the effort to resolve Bhutto's differences with his opponents. The opposition may have agreed to discussions in hopes that pressure from the Arabs would make Bhutto more conciliatory, but it is doubtful that the Arabs intend to force Bhutto to make concessions.

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[] All sides have apparently agreed to a new National Assembly election, but differences over timing make the agreement meaningless. The opposition wants an immediate election--one of their earlier proposals called for one in 30 days. Bhutto wants as much time as possible to rebuild his position. This week a member of his cabinet said no election could be held before March.

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[] The opposition has demanded that Bhutto resign before the election because most opposition leaders doubt an honest election is possible with Bhutto in power. Bhutto, however, has no intention of stepping down and will use any tactic he can--including negotiations--to buy time. []

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